

TAX: PARI-MUTUEL WAGERING
ISSUE: TAX REDUCTION FOR THOROUGHBRED PERMITHOLDERS
BILL NUMBER(S): HB 945
SPONSOR(S): REPRESENTATIVE BAINTER
MONTH/YEAR COLLECTION IMPACT BEGINS: Upon Becoming Law
DATE OF ANALYSIS: 3/24/00

SECTION 1: NARRATIVE

a. Current Law:

550.0951(3)(a)

The tax on handle for thoroughbred horse racing, harness racing, and quarter horse racing is 3.3 percent of the handle.

550.0951(3)(c)1.

[Currently not in Statute]

550.0951(3)(c)2.

The language in 550.0951(3)(c)2. is currently found in 550.0951(3)(c)1. The current language states that the tax on handle for intertrack wagering is 3.3 percent of handle, if the host track is a horse track.

550.0951(3)(c)3.

The language in 550.0951(3)(c)3. is currently found in 550.0951(3)(c)2.

550.0951(3)(c)4.

The language in 550.0951(3)(c)4. is currently found in 550.0951(3)(c)3.

550.3551(3)(c),

Section 550.3551(3)(c), refers to Sections 550.0951 and 550.09515 for the computation of the tax on simulcast handle. [No changes are being made to 550.3551(3)(c). It is being included for informational purposes.]

550.0951(5)

For all permitholders, payments for taxes and daily license fees shall be remitted by 3 p.m. Friday of each week for taxes and fees for the preceding Sunday, Monday, and Tuesday; and by 3 p.m. Wednesday of each week for taxes imposed and collected for the preceding Wednesday, Thursday, Friday, and Saturday.

550.09511(3)(a)

[Cites Section 550.0951(3)(c)1.]

550.6305(9)(a)

[Cites Section 550.0951(3)(c)1.]

550.09515(2)(a)

The tax on handle for live thoroughbred horse performances shall be subject to the following:

The tax on handle per performance for live thoroughbred performances is 2.0 percent of handle for performances conducted during the period beginning on January 3 and ending March 16; .20 percent of handle for performances conducted during the period beginning March 17 and ending May 22; and 1.25 percent of handle for performances conducted during the period beginning May 23 and ending January 2. Any permitholder conducting two periods tax on handle is double the sum of the tax percent. Exception two permitholders may agree to operate first or last three days of other period; two permitholders may switch periods; the tax on handle is .5 percent for any permitholder with handle less than or equal to \$34 million during Fiscal Year 1991-92.

550.09515(2)(a)1.

The language is currently found in 550.09515(2)(a)2.

550.09515(2)(a)2.

The language is currently found in 550.09515(2)(a)3.

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550.09515(2)(a)3.

The language is currently found in 550.09515(2)(a)4.

550.5251(4)

Thoroughbred racing permitholders may not begin a race after 7 p.m. However, a permitholder operating in a county in which the authority for cardrooms has been approved, may elect not to operate a cardroom and instead receive and rebroadcast out-of-state races after 7 p.m. on any day the permitholder conducts live racing. The permitholder may not elect to utilize both options, and must select an option at the time of its annual licensing.

550.73

[Currently not in Statute]

550.74

[Currently not in Statute]

550.26352

- (1) Provides for creation of a special 3 day meet, which shall be designated as the Breeders' Cup Meet.
- (2) Provides authority for the permitholder conducting the Breeders' Cup Meet to create pari-mutuel pools.
- (3) Prohibits permitholders operating within 35 miles of the Breeders' Cup Meet from conducting a thoroughbred race meet during any of the three days of the Breeders' Cup Meet. Any permitholder prohibited from operating shall receive a tax credit equal to the operating loss as a result of not operating on the prohibited racing days. The amount of credit shall be determined by the Division of Pari-Mutuel Wagering and shall not exceed \$500,000.
- (4) The permitholder conducting the Breeders' Cup Meet will pay no tax on handle associated with the Breeders' Cup Meet.
- (5) The permitholder conducting the Breeders' Cup Meet shall receive a tax credit, not to exceed \$800,000, for the payment of purses offered by the permitholder during the Breeders' Cup Meet in excess of the purses required by law.
- (6) The permitholder conducting the Breeders' Cup Meet shall receive a tax credit, not to exceed \$800,000, for capital expenditures or extraordinary expenses necessary for the operation of the Breeders' Cup Meet.
- (7) The permitholder conducting the Breeders' Cup Meet shall be exempt from the payment of purses and payments to horsemen for all races in which the purse is paid or supplied by Breeders' Cup Limited.
- (8) (a) Provides authority for the permitholder conducting the Breeders' Cup Meet to transmit broadcasts to locations outside U.S. and to other betting systems outside the state. Outlines pool and commingling requirements for the Breeders' Cup Meet.
(b) Provides authority for the permitholder conducting the Breeders' Cup Meet to transmit broadcasts to any permitholder in the state for wagering purposes, however the said permitholder must obtain written consent from all permitholders within the market area to transmit broadcasts to a permitholder located within 25 miles of the Breeders' Cup Meet site.
- (9) Requires the exemption from tax credits in section (5) and (6) not be taken until the Division of Pari-Mutuel Wagering completes an audit and provides a timeline for completing the audit.
- (10) Provides authority for the Division to adopt rules to facilitate the conduct of the Breeders' Cup Meet.
- (11) The Division of Administrative Hearings shall determine any disputes regarding tax credits in Subsection (3), (5), or (6).
- (12) Provisions in this Section will prevail over any conflicting provisions of this Chapter.

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b. Proposed Change:

550.0951(3)(a)

Removes thoroughbred horse racing from this section which requires a tax on handle of 3.3 percent of handle. (Based on the numerous tax contingencies, tax rates for thoroughbred live, intertrack, and simulcast handle are effectively lower than the 3.3 percent. The fiscal impact is addressed in the analysis for 550.0951(3)(c)1.)

550.0951(3)(c)1.

The tax on handle for intertrack wagering is reduced to 2.4 percent if the host track is a horse track. The estimated lost tax revenue is \$800,000. Furthermore, if the host track and guest track are both thoroughbred permitholders, the tax on intertrack handle is .2 percent. The estimated additional lost tax revenue is \$300,000. The total negative impact to state revenue relating to the proposed Section 550.0951(3)(c)1. is \$1.1 million.

550.0951(3)(c)2.

550.0951(3)(c)2. was previously 550.0951(3)(c)1. and includes the following change. The 3.3 percent tax on handle for intertrack wagering when the host track is a horse track is stricken from this language, but is addressed in new Section 550.0951(3)(c)1.

550.0951(3)(c)3.

550.0951(3)(c)3. was previously 550.0951(3)(c)2.

550.0951(3)(c)4.

550.0951(3)(c)4. was previously 550.0951(3)(c)3.

550.3551(3)(c),

Section 550.3551(3)(c), refers to Sections 550.0951 and 550.09515 for the computation of the tax on simulcast handle. Sections 550.0951 and 550.09515 are addressed elsewhere in this analysis. [No changes are being made to 550.3551(3)(c). It is being included for informational purposes.]

550.0951(5)

For all permitholders, payments for taxes and daily license fees shall be remitted by 3 p.m. Wednesday of each week for taxes imposed and collected for the preceding week ending on Sunday. This effectively reduces the payments from the previously required twice per week to once per week. In accordance with 550.09514(1), greyhound permitholder taxes must be calculated and commence beginning the day after the bi-weekly pay period in which the permitholder reaches the maximum tax savings per year provided under this section. In Fiscal Year 1998/99, greyhound permitholders received approximately \$200,000 above their allotted tax credits. By lengthening the payment period, this figure could potentially increase (thus, decreasing state revenue).

550.09511(3)(a)

[Cites (re-numbered) 550.0951(3)(c)2.]

550.6305(9)(a)

[Cites (re-numbered) 550.0951(3)(c)2.]

550.09515(2)(a)

Reduces the tax on live handle for thoroughbred horse race performances to .2 percent. The estimated lost tax revenue on live performances is \$2.1 million. Furthermore, reduction in the rate for live thoroughbred performances also reduces the tax on simulcast tax on handle as cited in 550.3351(3)(c). The additional estimated lost tax revenue is \$1.8 million. The total negative impact to state revenue relating to the proposed 550.09515(2)(a) is \$3.9 million.

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550.09515(2)(a)1.

550.09515(2)(a)1. was previously 550.09515(2)(a)2.

550.09515(2)(a)2.

550.09515(2)(a)2. was previously 550.09515(2)(a)3.

550.09515(2)(a)3.

550.09515(2)(a)3. was previously 550.09515(2)(a)4.

550.5251(4)

Allows for thoroughbred permitholders to begin a race later than 7 p.m. Also allows for a thoroughbred permitholder to receive and rebroadcast out-of-state races after the hour of 7 p.m. on any day during the permitholder's licensed racing meet whether or not there is live racing. The thoroughbred permitholder may receive and rebroadcast out-of-state races after the hour of 7 p.m. and simultaneously operate a cardroom. The hours of the cardroom will still be restricted by Section 849.086(7)(b), requiring cardroom operation only when the facility is authorized to accept wagers on pari-mutuel events during its authorized meet. The cardroom may begin operation within 2 hours prior to the post time of the first pari-mutuel event conducted live at the facility on which wagers are accepted and must cease operations within 2 hours after the conclusion of the last pari-mutuel event conducted live at the facility on which wagers are accepted. Eliminating the restriction provides the opportunity for more pari-mutuel activity, which could result in additional state revenues.

550.73

This proposed section pertains to the Breeders' Cup Meet and provides the same guidelines for the Breeders' Cup Meet as are found in the current Section 550.26352 with the following exceptions:

- (3) Increases the tax credit from \$500,000 to \$950,000 for permitholders who are prohibited from operating within 35 miles of the permitholder hosting the Breeders' Cup Meet during the 3 days of the meet. This could have a negative fiscal impact on revenues to the Division of \$450,000 any year the Breeders' Cup Meet is held in Florida and the requirements for the tax credit are met.
- (6) Increases the tax credit from \$800,000 to \$950,000 for capital improvements or extraordinary expenses expended by the permitholder conducting the Breeders' Cup Meet. This could have a negative fiscal impact on revenues to the Division of \$150,000 any year the Breeders' Cup Meet is held in Florida and the requirements for the tax credit are met.
- (8) Removes the restriction that the permitholder conducting the Breeders' Cup Meet must receive consent from all operating permitholders before transmitting the Breeders' Cup Meet to permitholders located within 25 miles of the Breeders' Cup Meet site. No evident fiscal impact to the Division.
- (10) Provides authority for the Division to waive rules, in addition to its current authority to adopt rules, in order to facilitate the conduct of the Breeders' Cup Meet.

550.74

Under this chapter, no tax on admissions shall be levied for pari-mutuel events licensed and conducted pursuant to this chapter. Eliminates tax on attendance for all pari-mutuel events resulting in an estimated negative impact on tax revenue of \$410,000.

[The impact of the elimination of sales tax on racing programs and parking would need to be addressed by the Department of Revenue. There is no effect to the Department of Business and Professional Regulation.]

550.26352

This section pertaining to the Breeders' Cup Meet is repealed in the proposed bill.

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Section 9 subsections (1), (2), (3), and (4)

[These subsections affect both the Department of State and the Department of Environmental Protection, Division of State Lands. There is no impact to the Department of Business and Professional Regulation.]

SECTION 2: DESCRIPTION OF DATA & SOURCES

The Division utilized projections from the most recent Revenue Estimating Conference, November 1999. While the projected revenue for Fiscal Year 2001/02 was not included in the November 1999 Revenue Estimating Conference, these revenues were projected using the same model. The Division reviewed all proposed sections in the bill with those in the current Florida Statutes.

SECTION 3: ASSUMPTIONS & RATIONALE

The middle estimate is a fallout number from the Division's revenue estimating model that applies the tax rates proposed in the bill to the projected handle for Fiscal Years 2000/01 and 2001/02. The high and low estimates were derived by applying a plus or minus 5 percent.

SECTION 4: METHODOLOGY

The Division has created a model that assists staff in projecting pari-mutuel revenue to submit for the Revenue Estimating Conference. The model applies current laws and tax rates to projected handle that is based on historical trends. The Division amended the model to include the provisions and tax rates in HB 945. As such, the Division was then able to realize the potential impact of HB 945 by comparing the projected revenue derived under current law against the projected revenue as a result of HB 945.

SECTION 5: IMPACT SUMMARY (DETAILS ATTACHED)

State Impact - All Funds	FY 2000-01 Annualized	FY 2000-01 Cash	FY 2001-02 Cash
High		(\$5,670,000)	(\$5,670,000)
Middle		(\$5,400,000)	(\$5,400,000)
Low		(\$5,130,000)	(\$5,130,000)

- During any year that the Breeders' Cup Meet is conducted in Florida, the state could realize an negative impact of an additional \$600,000 due to tax credits associated with the Breeders' Cup Meet.

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SECTION 1: NARRATIVE

a. Current Law:

b. Proposed Change:

SECTION 2: DESCRIPTION OF DATA & SOURCES

SECTION 3: ASSUMPTIONS & RATIONALE

SECTION 4: METHODOLOGY

SECTION 5: IMPACT SUMMARY (DETAILS ATTACHED)

Consensus Estimate Adopted: 3 / 24 / 00	FY 2000-01 Annualized	FY 2000-01 Cash	FY 2001-02 Cash
General Revenue - Pari-mutuel Tax	(5.2)	(5.2)	(5.2)
Service Charge	(.2)	(.2)	(.2)
Total State Impact	(5.4)	(5.4)	(5.4)
Total Local Impact			
Total Impact	(5.4)	(5.4)	(5.4)

This bill would also have a 1999-2000 impact of (2) m.

Department of Business and Professional Regulation
Division of Pari-Mutuel Wagering
Fiscal Impact of House Bill 945
FY 2000-2001

Under Current Law

Fiscal Reduction/Impact of HB 945

Net Result of HB 725

Revenues:	General Revenue Agency Fund	Pari-Mutuel Wagering Trust Fund	Total
Taxes	40,597,028	7,897,152	48,494,180
Fees	0	8,338,644	8,338,644
Total	40,597,028	16,235,796	56,832,824

Revenues:	General Revenue Agency Fund	Pari-Mutuel Wagering Trust Fund	Total
Taxes	(3,231,700)	(2,172,830)	(5,404,530)
Fees	0	0	0
Total	(3,231,700)	(2,172,830)	(5,404,530)

Revenues:	General Revenue Agency Fund	Pari-Mutuel Wagering Trust Fund	Total
Taxes	37,365,328	5,724,322	43,089,650
Fees	0	8,338,644	8,338,644
Total	37,365,328	14,062,966	51,428,294

Distribution of Revenue

Aid to Local Governments	29,915,500	29,915,500
PMW: Operating/Non-operating Expenditures	12,656,623	12,656,623
General Revenue Service Charge	1,185,213	1,026,597
General Revenue Funding to the State	13,075,488	7,829,574
Total	56,832,824	51,428,294
TOTAL IMPACT ON PARI-MUTUEL RECEIPTS	(5,404,530)	(5,404,530)
TOTAL IMPACT ON PARI-MUTUEL RECEIPTS	(5,404,530)	51,428,294

Department of Business and Professional Regulation
Division of Pari-Mutuel Wagering --- Pari-Mutuel Wagering Trust Fund
Fiscal Impact of House Bill 945
FY 2001-2002

Revenues:	Under Current Law			Fiscal Reduction/Impact of HB 945			Net Result of HB 945		
	General Revenue Agency Fund	Pari-Mutuel Wagering Trust Fund	Total	General Revenue Agency Fund	Pari-Mutuel Wagering Trust Fund	Total	General Revenue Agency Fund	Pari-Mutuel Wagering Trust Fund	Total
Taxes	38,468,897	7,404,014	45,872,911	(3,231,700)	(2,172,830)	(5,404,530)	35,237,197	5,231,184	40,468,381
Fees	0	8,129,329	8,129,329	0	0	0	0	8,129,329	8,129,329
Total	38,468,897	15,533,343	54,002,240	(3,231,700)	(2,172,830)	(5,404,530)	35,237,197	13,360,513	48,597,710

Distribution of Revenue

Aid to Local Governments	29,915,500
PMW: Operating/Non-operating Expenditures	12,833,610
General Revenue Service Charge	1,133,934
General Revenue Funding to the State	10,119,196
Total	54,002,240
	(5,404,530)
TOTAL IMPACT ON PARI-MUTUEL RECEIPTS	54,002,240
	(5,404,530)
	4,873,283
	975,317
	12,833,610
	29,915,500